

**NORTH TOOELE COUNTY FIRE PROTECTION
SERVICE DISTRICT**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS**

DECEMBER 31, 2006

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-11
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	19
NOTES TO FINANCIAL STATEMENTS	21-29
SCHEDULE OF IMPACT FEES	30
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	31-32
INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE	33-34



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David T. Posey, CPA
Roger O. Richins, CPA
James R. Beaudoin, PFS, CFP, CPA
Wade K. Watkins, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
North Tooele County Fire Protection Service District

We have audited the accompanying financial statements of the governmental activities and each major fund of North Tooele County Fire Protection Service District as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of North Tooele County Fire Protection Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Tooele County Fire Protection Service District as of December 31, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2007, on our consideration of North Tooele County Fire Protection Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages six through eleven is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of North Tooele County Fire Protection Service District. The schedule of impact fees is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Pennock, Robbins, Casey & Jenkins

July 16, 2007

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2006

As management of North Tooele County Fire Protection Service District, we offer readers of the North Tooele County Fire Protection Service District financial statements this narrative overview and analysis of the financial activities of North Tooele County Fire Protection Service District for the year ended December 31, 2006.

Financial Highlights

- The assets of North Tooele County Fire Protection Service District exceeded its liabilities at the close of the most recent fiscal year by \$2,352,014 (net assets). Of this amount, \$201,663 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, North Tooele County Fire Protection Service District's governmental funds reported combined ending fund balances of \$1,373,403. Approximately 15% of this total amount, \$206,256, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$206,256, or 62% of total general fund expenditures.

Overview of the financial Statements

This discussion and analysis is intended to serve as an introduction to North Tooele County Fire Protection Service District's basic financial statements. North Tooele County Fire Protection Service District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of North Tooele County Fire Protection Service District's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of North Tooele County Fire Protection Service District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Tooele County Fire Protection Service District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of North Tooele County Fire Protection Service District that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of North Tooele County Fire Protection Service District include fire-fighting services.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. North Tooele County Fire Protection Service District, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of North Tooele County Fire Protection Service District can be grouped in one category: governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

North Tooele County Fire Protection Service District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, which are considered to be major funds.

North Tooele County Fire Protection Service District adopts an annual appropriated budget for all its fund types. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of North Tooele County Fire Protection Service District, assets exceeded liabilities by \$2,352,014 at the close of the most recent year.

A portion of North Tooele County Fire Protection Service District's net assets (42%) reflects its investment in capital assets (e.g., land, buildings, improvements, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. North Tooele County Fire Protection Service District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although North Tooele County Fire Protection Service District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 1,412,629	\$ 1,191,400
Capital assets	<u>1,246,674</u>	<u>1,293,013</u>
Total assets	<u>\$ 2,659,303</u>	<u>\$ 2,484,413</u>
Other liabilities	\$ 92,219	\$ 100,021
Long-term liabilities outstanding	<u>215,070</u>	<u>266,266</u>
Total liabilities	<u>\$ 307,289</u>	<u>\$ 366,287</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 983,204	\$ 946,283
Restricted	1,167,147	979,277
Unrestricted	<u>201,663</u>	<u>192,566</u>
Total net assets	<u>\$ 2,352,014</u>	<u>\$ 2,118,126</u>

A portion of North Tooele County Fire Protection Service District's net assets (\$1,167,147) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$201,663) may be used to meet the government's ongoing obligations to citizens and creditors.

Current and other assets increased by approximately \$221,000 as a result of an increase in property taxes receivable and additional cash received from impact fees. Long-term liabilities decreased by approximately \$51,000 as a result of payments made on revenue bonds and tax anticipation notes.

At the end of the current year, North Tooele County Fire Protection Service District is able to report positive balances in all three categories of net assets.

Governmental activities. Governmental activities increased the District's net assets by \$233,888, compared to \$431,686 in 2005. The decrease in the change in net assets is due mainly to one time impact fee revenue from Miller Motorsports Park received in 2005.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)****Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 225,674	\$ 413,565
Operating grants and contributions	52,372	65,293
General revenues:		
Intergovernmental revenue	247,621	236,644
Unrestricted investment earnings	<u>27,772</u>	<u>18,327</u>
Total revenues	<u>553,439</u>	<u>733,829</u>
Expenses:		
Public safety	304,967	285,131
Interest on long-term debt	<u>14,584</u>	<u>17,012</u>
Total expenses	<u>319,551</u>	<u>302,143</u>
Increase in net assets	<u>\$ 233,888</u>	<u>\$ 431,686</u>

Charges for services decreased by approximately \$188,000 as a result of one time impact fee revenue from Miller Motorsports Park in 2005.

Expense and Program Revenue -- Governmental Activities

	<u>Expense</u>	<u>Program Revenue</u>	<u>Net Governmental Activities</u>
Public safety	\$ 304,967	\$ 278,046	\$ (26,921)
Interest on long-term debt	<u>14,584</u>	<u>—</u>	<u>(14,584)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 319,551</u>	<u>\$ 278,046</u>	<u>(41,505)</u>
General revenues:			
Intergovernmental revenue			247,621
Unrestricted investment earnings			<u>27,772</u>
TOTAL GENERAL REVENUES			<u>275,393</u>
CHANGE IN NET ASSETS			233,888
NET ASSETS - BEGINNING			<u>2,118,126</u>
NET ASSETS - ENDING			<u>\$ 2,352,014</u>

Financial Analysis of the Government's Funds

As noted earlier, North Tooele County Fire Protection Service District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental funds. The focus of North Tooele County Fire Protection Service District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing North Tooele County Fire Protection Service District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, North Tooele County Fire Protection Service District's governmental funds reported combined ending fund balances of \$1,373,403. Approximately 15% of this total amount or \$206,256, constitutes unreserved fund balance which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of North Tooele County Fire Protection Service District. At the end of the current year, unreserved (and total) fund balance of the general fund was \$206,256.

The fund balance of North Tooele County Fire Protection Service District's general fund decreased by \$953 during the current year.

General Fund Budgetary Highlights

During the year, actual revenues exceeded budgeted revenue by \$55,118. Following are the main components of these differences:

- State of Utah Wildland grants – \$21,000
- EMS grants/community donations – \$13,000
- Increase in budgeted property tax revenue – \$10,000

Capital Asset and Debt Administration

Capital assets. North Tooele County Fire Protection Service District's investment in capital assets for its governmental activities as of December 31, 2006 amounts to \$1,246,674 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and vehicles. The total decrease in North Tooele County Fire Protection Service District's investment in capital assets for the current year was \$46,339.

Major capital asset events during the current fiscal year included the following:

- Architect fees for new fire station

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Capital Assets
Net of Depreciation**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 59,350	\$ 59,350
Buildings	748,288	779,204
Machinery and equipment	109,362	118,266
Vehicles	265,249	307,393
Construction in progress	<u>64,425</u>	<u>28,800</u>
TOTAL	<u>\$ 1,246,674</u>	<u>\$ 1,293,013</u>

Additional information on North Tooele County Fire Protection Service District's capital assets can be found in Note 4.

Long-term debt. At the end of the current year, North Tooele County Fire Protection Service District had total debt outstanding of \$263,470. The debt represents bonds secured solely by specified revenue sources, a note payable, and capital leases. The District's debt decreased by \$83,260 during the current fiscal year. On-going debt retirement accounts for the decrease.

Long-Term Debt

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenue bonds	\$ 98,433	\$ 150,000
Tax anticipation notes	25,334	38,000
Capital leases	<u>139,703</u>	<u>158,730</u>
TOTAL	<u>\$ 263,470</u>	<u>\$ 346,730</u>

Additional information on North Tooele County Fire Protection Service District's long-term debt can be found in Notes 5 and 6.

Requests for Information

This financial report is designed to provide a general overview of North Tooele County Fire Protection Service District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Administrator, 179 Country Club, Stansbury Park, UT 84074.

BASIC FINANCIAL STATEMENTS

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 30,147
Taxes receivable	155,346
Other receivables	19,653
Prepays	8,030
Investments - water shares	1,800
Restricted assets:	
Cash and cash equivalents	1,159,450
Intergovernmental receivable	38,203
Capital assets not being depreciated:	
Land	59,350
Construction in progress	64,425
Capital assets net of accumulated depreciation:	
Buildings	748,288
Machinery and equipment	109,362
Vehicles	<u>265,249</u>
TOTAL ASSETS	<u>\$ 2,659,303</u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 39,226
Accrued interest payable	4,593
Noncurrent liabilities:	
Due within one year	48,400
Due in more than one year	<u>215,070</u>
TOTAL LIABILITIES	<u>\$ 307,289</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 983,204
Restricted for capital improvements	1,167,147
Unrestricted	<u>201,663</u>
TOTAL NET ASSETS	<u>\$ 2,352,014</u>

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

Function/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 304,967	\$ 225,674	\$ 52,372	\$ -
Interest on long-term debt	14,584	-	-	-
	<u>\$ 319,551</u>	<u>\$ 225,674</u>	<u>\$ 52,372</u>	<u>\$ -</u>
TOTAL GOVERNMENTAL ACTIVITIES				
				\$ (26,921)
				<u>(14,584)</u>
				<u>(41,505)</u>
General revenues:				
Property taxes				247,621
Unrestricted investment earnings				<u>27,772</u>
				<u>275,393</u>
TOTAL GENERAL REVENUES				
				233,888
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING				<u>2,118,126</u>
NET ASSETS - ENDING				<u>\$ 2,352,014</u>

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 30,147	\$ —	\$ 30,147
Taxes receivable	155,346	—	155,346
Impact fees receivable	—	38,203	38,203
Other receivable	19,653	—	19,653
Prepays	8,030	—	8,030
Investment - water shares	1,800	—	1,800
Cash and cash equivalents – restricted	—	1,159,450	1,159,450
TOTAL ASSETS	<u>\$ 214,976</u>	<u>\$ 1,197,653</u>	<u>\$ 1,412,629</u>
LIABILITIES AND FUND BALANCES:			
Accounts payable and accrued liabilities	\$ 8,720	\$ 30,506	\$ 39,226
TOTAL LIABILITIES	<u>8,720</u>	<u>30,506</u>	<u>39,226</u>
Fund Balances:			
Reserved for capital improvements	—	1,167,147	1,167,147
Unreserved	206,256	—	206,256
TOTAL FUND BALANCES	<u>206,256</u>	<u>1,167,147</u>	<u>1,373,403</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 214,976</u>	<u>\$ 1,197,653</u>	<u>\$ 1,412,629</u>

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2006

Total fund balances - governmental fund types	\$ 1,373,403
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,246,674
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(268,063)</u>
Net assets of governmental activities	<u>\$ 2,352,014</u>

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 247,621	\$ –	\$ 247,621
Intergovernmental	73,127	–	73,127
Investment earnings	2,325	25,447	27,772
Miscellaneous	6,782	–	6,782
Impact fees	–	198,137	198,137
TOTAL REVENUES	<u>329,855</u>	<u>223,584</u>	<u>553,439</u>
EXPENDITURES:			
Public safety	222,914	89	223,003
Capital outlay	–	35,625	35,625
Debt service:			
Principal	83,260	–	83,260
Interest	24,634	–	24,634
TOTAL EXPENDITURES	<u>330,808</u>	<u>35,714</u>	<u>366,522</u>
NET CHANGE IN FUND BALANCES	(953)	187,870	186,917
FUND BALANCES - BEGINNING	<u>207,209</u>	<u>979,277</u>	<u>1,186,486</u>
FUND BALANCES - ENDING	<u>\$ 206,256</u>	<u>\$ 1,167,147</u>	<u>\$ 1,373,403</u>

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 186,917
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(46,339)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	83,260
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>10,050</u>
Change in net assets of governmental activities	<u>\$ 233,888</u>

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES:				
Taxes	\$ 225,000	\$ 237,962	\$ 247,621	\$ 9,659
Intergovernmental revenue	20,000	20,000	73,127	53,127
Interest	1,000	775	2,325	1,550
Miscellaneous	<u>54,000</u>	<u>16,000</u>	<u>6,782</u>	<u>(9,218)</u>
TOTAL REVENUES	<u>300,000</u>	<u>274,737</u>	<u>329,855</u>	<u>55,118</u>
EXPENDITURES:				
Public safety:				
Wages and payroll taxes	65,000	55,000	47,480	7,520
Administration	13,500	13,800	13,156	644
Insurance	30,000	38,000	23,945	14,055
Repairs and maintenance	22,000	30,000	30,122	(122)
Supplies	19,160	10,722	24,121	(13,399)
Utilities and fuel	50,000	40,000	41,003	(1,003)
Other	16,340	12,850	43,087	(30,237)
Capital outlay and small equipment	70,000	12,735	-	12,735
Debt service:				
Principal retirement	58,000	103,000	83,260	19,740
Interest and fiscal charges	<u>20,000</u>	<u>20,000</u>	<u>24,634</u>	<u>(4,634)</u>
TOTAL EXPENDITURES	<u>364,000</u>	<u>336,107</u>	<u>330,808</u>	<u>5,299</u>
NET CHANGE IN FUND BALANCES	(64,000)	(61,370)	(953)	60,417
FUND BALANCES - BEGINNING	<u>207,209</u>	<u>207,209</u>	<u>207,209</u>	-
FUND BALANCES - ENDING	<u>\$ 143,209</u>	<u>\$ 145,839</u>	<u>\$ 206,256</u>	<u>\$ 60,417</u>

NOTES TO FINANCIAL STATEMENTS

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Tooele County Fire Protection Service District was organized on January 1, 1988. The District provides fire protection services to four communities in Tooele County. The District operates under an Administrative Control Board, consisting of five members.

A. Reporting Entity

In evaluating how to define the North Tooele County Fire Protection Service District (the District) for financial reporting purposes, management has considered all potential component units. The decision of whether or not to include a potential component unit by the reporting entity is made by applying the criteria set forth in GASB statement No. 14. The basic, but not the only criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other considerations include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service, which considers whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District has no potential component units that meet the criteria set forth above. The financial statements of the District include all fund types required to be included within the financial statements under government accounting and reporting standards.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are generally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applications that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the resources required for major capital improvements of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

E. Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the District have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements.

A formal budget has been adopted and used as a control device during the year.

F. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

H. Capital Assets

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements, fixed assets are treated as capital assets. Capital assets include land, buildings, machinery and equipment, and vehicles. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (continued)

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	17-40
Machinery and equipment	15
Vehicles	10-20

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Property Tax Revenues

Property taxes are levied on January 1st based on the assessed value of property as listed on the previous May 31st. Assessed values are an approximation of market value. An evaluation of all real property must be made every year by the county assessor. Property taxes are delinquent after November 30th. The District's tax rate for 2006 was .000328. The District appropriates the entire amount to fire protection. The statutory maximum set by the state for fire protection is .000400. There is no statutory maximum for the reduction of general obligation bonds.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$268,063 difference are as follows:

Bonds payable	\$ 98,433
Notes payable	25,334
Accrued interest payable	4,593
Capital leases payable	<u>139,703</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 268,063</u>

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$46,339 difference are as follows:

Capital outlay	\$ 35,625
Depreciation expense	<u>(81,964)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$(46,339)</u></u>

3. DEPOSITS AND INVESTMENTS

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

A. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on deposit	\$ <u>181,365</u>	\$ <u>133,922</u>
TOTAL	\$ <u><u>181,365</u></u>	\$ <u><u>133,922</u></u>

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$81,365 of the District's bank balance of \$181,365 was uninsured and uncollateralized.

B. Investments

Credit Risk: Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investments transactions to be conducted only through qualified

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS

depositories, certified dealers, or directly with issuers of investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bond and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment fund (PTIF), as external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balance. The District's investments in the PTIF is unrated.

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State of Utah Public Treasurer's Investment Fund	\$ 1,055,675	\$ 1,055,675	\$ —	\$ —	\$ —
TOTAL	\$ 1,055,675	\$ 1,055,675	\$ —	\$ —	\$ —

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limited the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted above.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to reduce this risk is to adhere to the rules of the Money Management Council. The Council's Rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between five and ten percent depending upon the total dollar amount held in the District's portfolio at the time of purchase.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 59,350	\$ —	\$ —	\$ 59,350
Construction in progress	28,800	35,625	—	64,425
Total capital assets not being depreciated	88,150	35,625	—	123,775
Capital assets being depreciated:				
Buildings	1,114,282	—	—	1,114,282
Machinery and equipment	133,553	—	—	133,553
Vehicles	725,924	—	—	725,924
Total capital assets being depreciated	1,973,759	—	—	1,973,759
Less accumulated depreciation for:				
Buildings	(335,078)	(30,916)	—	(365,994)
Machinery and equipment	(15,287)	(8,904)	—	(24,191)
Vehicles	(418,531)	(42,144)	—	(460,675)
Total accumulated depreciation	(768,896)	(81,964)	—	(850,860)
Total capital assets, being depreciated, net	1,204,863	(81,964)	—	1,122,899
CAPITAL ASSETS, NET	<u>\$ 1,293,013</u>	<u>\$ (46,339)</u>	<u>\$ —</u>	<u>\$ 1,246,674</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Public safety	\$ 81,964
TOTAL DEPRECIATION EXPENSE	<u>\$ 81,964</u>

5. LEASES

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of a pumper truck. The government also has financed the acquisition of a water tender by means of a lease with a down payment of \$27,710. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. LEASES (CONTINUED)

<u>Assets</u>	<u>Governmental Activities</u>
Vehicles	\$ 235,320
Less: accumulated depreciation	<u>(40,628)</u>
TOTAL	<u>\$ 194,692</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2007	\$ 25,329
2008	26,428
2009	26,428
2010	26,428
2011	26,428
2012-2016	<u>33,519</u>
TOTAL	164,560
Less: amount representing interest	<u>(24,857)</u>
Present value of minimum lease payments	<u>\$ 139,703</u>

6. LONG-TERM DEBT

Revenue Bonds

The government issued revenue bonds on January 1, 1996 to provide funds for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued was \$375,000. Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Revenue Bonds	5%	\$ 98,433

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2007	\$ 23,433	\$ 5,000	\$ 28,433
2008	25,000	3,750	28,750
2009	25,000	2,500	27,500
2010	<u>25,000</u>	<u>1,250</u>	<u>26,250</u>
TOTAL	<u>\$ 98,433</u>	<u>\$ 12,500</u>	<u>\$ 110,933</u>

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED)

Tax Anticipation Note

The government issued tax anticipation notes on January 1, 1996 to provide funds for the acquisition and construction of major capital facilities. The original amount of the tax anticipation note issued was \$95,000. Tax anticipation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Tax Anticipation Notes	5%	\$ 25,334

Tax anticipation note debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2007	\$ 6,333	\$ 1,267	\$ 7,600
2008	6,333	950	7,283
2009	6,333	633	6,966
2010	<u>6,335</u>	<u>317</u>	<u>6,652</u>
TOTAL	<u>\$ 25,334</u>	<u>\$ 3,167</u>	<u>\$ 28,501</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 150,000	\$ -	\$ (51,567)	\$ 98,433	\$ 23,433
Tax anticipation notes	38,000	-	(12,666)	25,334	6,333
Capital leases	<u>158,730</u>	<u>-</u>	<u>(19,027)</u>	<u>139,703</u>	<u>18,634</u>
LONG-TERM LIABILITIES	<u>\$ 346,730</u>	<u>\$ -</u>	<u>\$ (83,260)</u>	<u>\$ 263,470</u>	<u>\$ 48,400</u>

7. GENERAL FUND BUDGET

Expenditures in the public safety department of the general fund exceeded the legally adopted budget by \$22,542 for the year ended December 31, 2006.

8. SUBSEQUENT EVENTS

Subsequent to December 31, 2006, the District entered into a lease/purchase agreement with a financial institution to partially fund the construction of a fire station. The lease is for \$1,418,000, bears interest at 4.78% to 4.84%, and is payable in semi-annual installments of principal and interest through May 2027.

Also subsequent to December 31, 2006, the District entered into a contract with a construction company for the construction of a fire station in the amount of \$1,852,000.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

SCHEDULE OF IMPACT FEES

FOR THE YEAR ENDED DECEMBER 31, 2006

The District collects public safety impact fees. The following is a recap of the impact fees outstanding by year of collection:

<u>Year Collected</u>	<u>Public Safety</u>
2001	\$ 73,105
2002	147,997
2003	127,420
2004	166,408
2005	307,541
2006	<u>306,473</u>
 TOTAL	 <u>\$ 1,128,944</u>

The following capital projects are planned to use the impact fees shown above:

<u>Planned Capital Project</u>	<u>Projected Cost</u>	<u>Anticipated Start Date</u>
Construction of fire station	\$ 1,852,000	May 2007



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David T. Posey, CMA
Roger O. Richins, CPA
James R. Beaudoin, PFS, CFP, CPA
Wade K. Watkins, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
North Tooele County Fire Protection Service District
Stansbury Park, Utah

We have audited the financial statements of North Tooele County Fire Protection Service District (the District) as of and for the year ended December 31, 2006, and have issued our report thereon dated July 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies described in the accompanying management letter to be significant deficiencies in internal control over financial reporting (items 1 through 5).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 1 through 5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management, federal awarding agencies, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Pinnock, Collins, Day & Jenkins

July 16, 2007



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David T. Posey, CFA
Roger O. Richins, CPA
James R. Beaudoin, PFS, CFP, CPA
Wade K. Watkins, CPA

INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

To the Board of Trustees
North Tooele County Fire Protection Service District
Stansbury Park, Utah

We have audited the accompanying financial statements of the governmental activities and each major fund of North Tooele County Fire Protection Service District for the year ended December 31, 2006; and have issued our report thereon dated July 16, 2007. The District received the following nonmajor grant which is not required to be audited for specific compliance requirements. (However, this program was subject to testwork as part of the audit of the District's financial statements.)

Emergency Medical Services Grant

Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Truth in Taxation and Property Tax Limitations
Cash Management	Special Districts
Purchasing Requirements	Other General Issues
Budgetary Compliance	Impact Fees

The District did not receive any major State grants during the year ended December 31, 2006.

The management of North Tooele County Fire Protection Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, North Tooele County Fire Protection Service District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

This report is intended for the use of North Tooele County Fire Protection Service District's management, Board of Trustees, and applicable federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

Pinnock, Collins, Gray & Perkins

July 16, 2007



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David T. Posey, CPA
Roger O. Richins, CPA
James R. Beaudoin, PFS, CFP, CPA
Wade K. Watkins, CPA

July 16, 2007

To the Board of Trustees
North Tooele County Fire Protection Service District

As part of our audit of the financial statements of North Tooele County Fire Protection Service District (the District), professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting (internal control) that rise to the level of "significant deficiencies" or "material weaknesses" that we identified during our audit of the financial statements.

As we previously discussed, these deficiencies must be communicated even though management may already know about them and may have made a conscious decision to accept these risks because of cost or other considerations. Also, the independent auditor cannot be used as an internal control to overcome internal control deficiencies. With this in mind we are communicating the following matters.

In planning and performing our audit of the financial statements of the District as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

1. Property Taxes Receivable

We noted during our audit a deficiency in the design of controls to ensure the proper reversal of prior year receivables and the recording of property taxes receivable at year end.

Management's Response

Accounting measures will be put in place to ensure the proper recording and reversal of property taxes receivable.

2. Prepaid Expenses

We noted during our audit a deficiency in the design of controls to ensure the proper recording of prepaid insurance. The prepaid insurance balance was not adjusted to actual at December 31, 2006.

Management's Response

This was a one-time occurrence as the District changed insurance policies during the 2006 year. This issue has been addressed and measures will be put in place to ensure the proper recording of prepaid insurance.

3. Capital Assets and Depreciation

We noted during our audit a deficiency in the design of controls to identify capital asset additions and calculate depreciation expense. Presentation of capital assets and depreciation is required in the government-wide financial statements.

Management's Response

Management will take this deficiency under advisement for future consideration.

4. Accounts Payable

We noted during our audit a deficiency in the design of controls to ensure the proper recording of accounts payable. Prior year accounts payable was not reversed, and current year accounts payable was not recorded.

Management's Response

Accounting measures will be put in place to ensure the proper recording and reversal of accounts payable.

5. Accounting Personnel

The District does not train its accounting personnel sufficiently in financial accounting and reporting to ensure correct accounting for more complex transactions or independently produce financial statements which comply with accounting principles generally accepted in the United States of America (GAAP). The District relies on the financial statement audit procedures to identify certain necessary adjustments, reclassifications, and disclosures to produce GAAP financial statements.

Management's Response

Management will take this deficiency under advisement for future consideration.

STATE LEGAL COMPLIANCE

During our audit, we noted the following matters involving State of Utah Legal Compliance requirements that are presented for your consideration.

6. Budget Public Hearing

During our audit, we noted that the District did not give the required notice of the public hearing held to consider the adoption of the District's budget. The District provided two days' notice of the hearing. State law requires notice of the hearing to be published at least seven days prior to the hearing. We recommend that the District implement controls to insure that required notice of the budget hearing be provided, as required by state law.

Management's Response

This was a one-time occurrence. This issue has been addressed and measures will be put in place to ensure that proper notice is given for budget hearings as required by State law.

7. Over-Expenditure of Legally Adopted Budget

During our audit, we noted that the Public Safety Department of the General Fund over-expended its legally adopted budget by \$22,542. We recommend that District management carefully prepare and monitor all financial data so that the District will be able to follow all legal fiscal requirements.

Management's Response

Accounting measures will be put in place to ensure that expenditures more closely match budgeted items.

North Tooele County Fire Protection Service District's written responses to the significant deficiencies and material weaknesses identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, members of the board of trustees of the District, and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.


PINNOCK, ROBBINS, POSEY & RICHINS, PC